

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

December 14, 2010

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)
Thomas Hango, VSEA Alternate (term expiring September 1, 2011)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)
Richard Johannesen, Governor's Delegate (ex-officio)
Caroline Earle, Commissioner of Human Resources (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Jeb Spaulding, VT State Treasurer

Members absent:

None

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board
Elizabeth Pearce, Deputy Vermont Treasurer
David Driscoll, Buck Consultants
Kai Petersen, Buck Consultants
Michael Clasen, Director of Retirement Operations
Mike McShane, Assistant Attorney General
Chip Sanville, Great West Retirement Services
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Tuesday, December 14, 2010 meeting to order at 9:10 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- **November 18, 2010**

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of November 18, 2010, as amended.

ITEM 2: **Review the results of the Experience Study completed by Buck Consultants**

Mr. Gaffney requested Mr. Driscoll provide the Board members an explanation for the reasoning behind an Experience Study. Mr. Driscoll explained the main reason for this Experience Study being conducted early was to review the rate of return assumption. Mr. Driscoll introduced Mr. Petersen and his role in the Experience Study. Mr. Driscoll reviewed the Experience Study.

Mr. Driscoll indicated that the overall numbers in Groups A, D and F withdrawing prior to meeting eligibility for retirement are above those expected so they recommend that the assumed

rates of withdrawal for those groups be increased by 30%. Mr. Driscoll indicated they recommend doubling the withdrawal assumption rate used for Group C female employees since Group C female members have larger numbers withdrawing prior to meeting eligibility for retirement than expected consistently over the past years.

Mr. Driscoll answered the Board's questions including those questions concerning the early retirement incentive, the reduction in force, and the 3% pay reduction.

The Board discussed disabilities. Mr. Driscoll indicated the present assumed rates of disability produce expected disabilities that are not substantially different than the actual number and they, therefore, recommend no changes to the disability rates.

Mr. Driscoll explained the reasoning for the lowering of the rate for deaths among active members. Mr. Driscoll explained they recommend the application of assumed mortality improvements based on projection of the RP-2000 Table for Employees using Scale AA to 2016, which is the year in which the valuation assumptions will next be adjusted to reflect the results of an experience study.

The Board discussed the service retirement assumption. Mr. Driscoll indicated there was a recommendation that expected rates of retirement be raised to reflect actual experience for Group F members between ages 50 to 55, but to leave the rest of the Group F rates unchanged. Mr. Driscoll indicated there was no change recommended for active members of Group C as they are assumed to retire when first eligible and Group A and D are assumed to retire at the earliest possible date.

There was a discussion whether employees are working longer than expected. There was a discussion about the upcoming retirement bubble. There was a discussion about gender and length of service. There was a discussion about early retirements.

There was a discussion about post-retirement mortality. Mr. Driscoll indicated the actual mortality is about 2% below expected levels, except among disabled retirees. The recommendation for Service Retirees and Beneficiaries was the continued use of the RP-2000 Combined Mortality Tables for Employees and Healthy Annuitants, but with the application of Scale AA projected to 2010 to recognize the improved mortality experienced and expected.

(Mr. Spaulding left the meeting for a short time during this item.)

Mr. Driscoll explained what an inactive status was. Mr. Driscoll indicated that their recommendation is that the percentage of contributions with interest used to estimate the liability for members in an inactive status remain at 250%.

The economic assumptions were addressed. Mr. Driscoll indicated they recommend retention of the current assumptions for COLA's. There was a further discussion concerning COLA's. There was a discussion about the inflation assumption as related to the rate of return assumption.

- **Ricky Plank**

On motion by Mr. Briggs, seconded by Mr. White, the Board voted unanimously to accept the recommendation by Great West to approve the emergency withdrawal request of \$4,000.00 net for Ricky Plank.

On motion by Ms. Earle, seconded by Mr. Briggs, the Board voted unanimously to enter Executive Session at 11:47 a.m. pursuant to Title 1, § 313 for the purpose of discussing the emergency withdrawal request of Ricky Plank.

The Board exited Executive Session at 12:03 p.m.

After a friendly amendment by Ms. Pearce, Mr. Briggs amended his motion to include that the review followed by Jonathan Smith would meet the guidelines as set forth by the Board. All voted aye. The motion passed.

ITEM 5: Continue discussions on 457 emergency withdrawal procedures

Mr. Gaffney inquired whether everyone had a chance to review the emergency withdrawal request form as forwarded by Ms. Webster via email. The Board discussed what further information should be included on the form.

(Mr. Hango entered the meeting at this time.)

Mr. Sanville explained the procedure that would be followed if the emergency withdrawals were moved to their Denver office. The Board discussed the members' rights for a request for reconsideration if they were denied by the Denver office. It was indicated the contract with Great West would need to be reviewed and amended to include this procedure. The Board discussed the pros and cons of moving this procedure to Denver. The Board mentioned it would like quarterly updates on emergency withdrawals to include how many applications were received, how many applications were approved, what the amounts were, and what the reasons for the withdrawals were.

On motion by Mr. Reardon, seconded by Mr. Dumas, the Board unanimously voted that even though the Board maintains their fiduciary responsibility the Board delegates the authority to review and approve the hardship requests from the 457 Plan to Great West, and that the Board would receive quarterly updates relative to the emergency withdrawals in the 457 Plan.

The consensus of the Board was Mr. Sanville and Ms. Webster would further work on the emergency withdrawal request form and provide it for review to the Board at the next Board meeting.

(Mr. Sanville left the meeting at this time.)

(Mr. Clasen entered the meeting at this time.)

Ms. Earle explained to the Board that Kate Duffy was the new Commissioner of Human Resources. Ms. Earle thanked the Board for their integrity and hard work on behalf of the State employees. On behalf of the Board Mr. Gaffney thanked Ms. Earle for her service on the board.

Ms. Pearce indicated to the Board Mike Donahue from the Burlington Free Press has put in a request for information on the top 100 pensions, to include the names of the members and the town of residence. Ms. Pearce indicated the Attorney's General's office is currently researching this issue. Ms. Pearce indicated if individual Board members receive a communication concerning this request the request should be directed to the AG's Office or Mr. Clasen. The Board discussed this issue further.

(Mr. McShane entered the meeting at this time.)

(Ms. Earle left the meeting at this time.)

Mr. McShane explained to the Board members what the Attorney General's Office was doing relative to the request.

(Mr. Spaulding entered the meeting at this time.)

Ms. Pearce indicated when they receive a legal opinion from the Attorney General's Office they will share it with the Board members.

(Mr. Clasen and Mr. McShane left the meeting at this time.)

(A luncheon recess was taken from 1:00 p.m. to 1:07 p.m.)

The consensus of the Board was to move Item number 7 to Item number 6.

ITEM 6: Review/act on draft of 2011 Board meeting schedule

On motion by Mr. Briggs, seconded by Mr. White, the Board voted unanimously to adopt the 2011 Board meeting schedule as outlined in the Draft 2011 Board Meeting Schedule.

(Mr. Spaulding and Ms. Pearce left the meeting at this time.)

ITEM 7: Overview of development of FY 2012 State contribution rate by James Reardon

Mr. Reardon provided the Board with handouts and explained the process for the development of the State's contribution rate. Mr. Reardon explained how the rates are trued-up every year, taking into account the actual administrative expenses from the previous year. Ms. Webster explained how the budget Mr. Booth presented last month is incorporated into Mr. Reardon's development of the State's contribution rate. Mr. Reardon indicated he uses the numbers provided by David Driscoll to develop the rate. Mr. Reardon explained how the increase in health care, the loss of investment income and the fine tuning of the salaries affected the contribution rate. Mr. Reardon answered the Board's questions concerning his presentation.

ITEM 7: **Any other business to be brought before the Board**

None.

ITEM 8: **Adjournment**

On motion by Mr. White, seconded by Mr. Dumas, the Board voted unanimously to adjourn at 1:44 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is a conference call meeting on January 13, 2011 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board